

OKFUSKEE COUNTY JUSTICE AUTHORITY  
OKFUSKEE COUNTY, OKLAHOMA  
OKEMAH, OKLAHOMA  
ANNUAL FINANCIAL REPORT  
JUNE 30, 2021

RALPH OSBORN  
CERTIFIED PUBLIC ACCOUNTANT  
500 South Chestnut  
PO BOX 1015  
BRISTOW, OKLAHOMA 74010-1015

## INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees  
Okfuskee County Justice Authority  
Okemah, Oklahoma

### Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Okfuskee County Justice Authority, a component unit of Okfuskee County, Oklahoma, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Okfuskee County Justice Authority, Okemah, Oklahoma as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

*Other Supplementary Information*

Okfuskee County Justice Authority, Okemah, Oklahoma has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statement.

*Other Information*

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Okfuskee County Justice Authority, Okemah, Oklahoma's basic financial statements.

In accordance with *Government Auditing Standards*, I have also issued my report dated March 9, 2022, on my consideration of Okfuskee County Justice Authority, Okemah's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
March 9, 2022

OKFUSKEE COUNTY JUSTICE AUTHORITY  
STATEMENT OF NET POSITION  
JUNE 30, 2021

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents	\$ 546,946
Receivable from county	<u>173,539</u>
Total current assets	<u>720,485</u>
Non-current assets:	
Restricted cash:	
Debt service	579,292
Bond discount, net of accumulated amortization	108,317
Capital assets	
Other capital assets net of accumulated depreciation	<u>5,309,547</u>
Total non-current assets	<u>5,997,156</u>
Total assets	<u>6,717,641</u>
<b>LIABILITIES</b>	
Current liabilities:	
Notes payable	<u>265,000</u>
Total current liabilities	<u>265,000</u>
Non-current liabilities:	
Bond and notes payable	<u>5,015,000</u>
Total non-current liabilities	<u>5,015,000</u>
Total liabilities	<u>5,280,000</u>
<b>NET POSITION</b>	
Capital assets, net of related debt	137,864
Restricted for:	
Debt Service	579,292
Unassigned	<u>720,485</u>
Total net position	<u>\$ 1,437,641</u>

The accompanying notes are an integral part of this financial statement.

OKFUSKEE COUNTY JUSTICE AUTHORITY  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

	<u>TOTAL</u>
Operating revenues	
Received from County	\$ 585,037
Total revenue	<u>585,037</u>
Operating expenses	
Professional Fees	1,800
Other	36,267
Fees	5,000
Depreciation	<u>90,762</u>
Total expenses	<u>133,829</u>
Operating profit/(loss)	<u>451,208</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Interest income	129
Interest expense	(182,956)
Amortization of bond discount	<u>(6,805)</u>
Total non-operating revenue/(expenses)	<u>(189,632)</u>
Net change in net position	261,576
Net position, beginning	<u>1,176,065</u>
Net position, ending	<u>\$ 1,437,641</u>

The accompanying notes are an integral part of this financial statement.

OKFUSKEE COUNTY JUSTICE AUTHORITY  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2021

Cash flows from operating activities	
Cash received from county	\$ 578,704
Cash payments to suppliers for goods and services	<u>(43,067)</u>
Net cash provided (used) by operating activities	<u>535,637</u>
Cash flows from capital and related financing activities	
Transferred (to)/from restricted	1,636
Bond principal paid	(260,000)
Bond interest paid	<u>(182,956)</u>
Net cash provided by capital and related financing activities	<u>(441,320)</u>
Cash flows from investing activities	
Interest income	<u>129</u>
Net cash provided by investing activities	<u>129</u>
Net increase in cash and cash equivalents	94,446
Cash and cash equivalents, beginning	<u>452,500</u>
Cash and cash equivalents, ending	<u><u>\$ 546,946</u></u>
Reconciliation of income (loss) to net cash provided by (used) by operating activities	
Operating income (loss)	\$ 451,208
Depreciation	90,762
Used by Operating Activities:	
Changes in Assets and Liabilities:	
(Increase)/decrease in due from county	<u>(6,333)</u>
Net cash provided by operating activities	<u><u>\$ 535,637</u></u>

The accompanying notes are an integral part of this financial statement.

OKFUSKEE COUNTY JUSTICE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Okfuskee County Justice Authority (the Authority) was created August 27, 2012 under the provision of Title 60, Oklahoma Statutes 1991, Section 176 et. seq., as amended and supplemented, the Oklahoma Trust Act and other applicable statutes and laws of the State of Oklahoma. The beneficiary of the trust is Okfuskee County, Oklahoma. The trust is managed by a three member board which is comprised of the Board of County Commissioners of Okfuskee County, Oklahoma.

The primary purpose of the Authority is to assist Okfuskee County, Oklahoma (the County) and its governmental agencies in acquiring and maintaining physical properties. The Authority receives sales tax revenue from Okfuskee County, Oklahoma. The Authority and the County are related organizations. The Authority is a component unit of the County. The County is separately audited by the State of Oklahoma, Office of the Auditor and Inspector.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the Authority are prepared in accordance with generally accepted accounting principles (GAAP). The Authority's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Authority's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The financial statements report using the economic resources measurement focus and the accrual basis of accounting. Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows.

Operating income reported in financial statements include revenues and expenses related to the primary, continuing operations of the Authority. Principal operating revenues are sales and use taxes passed through Okfuskee County and related rents and administrative fee income. Principal operating expenses are administrative expenses, expenses related to maintenance and operation of the Okfuskee Count Detention Center, and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Budget

The Authority has not adopted an annual operating budget. Therefore, the budget to actual comparisons are not reported.

OKFUSKEE COUNTY JUSTICE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

Investments

The Authority follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Authority considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. The Authority has reported no inventory at June 30, 2021.

Prepaids record payments to vendors that benefit future reporting periods. The Authority has reported no prepaids at June 30, 2021.

Capital Assets, Depreciation, and Amortization

The Authority's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Authority maintains infrastructure assets records consistent with all other capital assets. Donated assets are stated at fair value on the date donated. The Authority generally capitalizes assets with cost of \$2,500 or more as purchase and construction outlay occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations. Capital assets obtained for use in operating the county jail or sheriff's department, other than the original cost of jail construction, are considered as belonging to Okfuskee County and not the Authority.

Estimated useful lives, in years, for depreciable assets are as follow:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture , machinery, and equipment	3-30

Employee Benefits

The Authority does not have employees. The activity of the Authority is conducted by employees of the County.



OKFUSKEE COUNTY JUSTICE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Authority will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Authority, and are held by counterparty or the counterparty's trust department but not in the name of the Authority. The Authority's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2021, all of the Authority's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Authority had deposits at financial institutions with a carrying amount of approximately \$1,126,238 at June 30, 2021. The bank balance of the deposits at June 30, 2021 was approximately \$1,126,238.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Authority did not have fixed income securities at June 30, 2021.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Authority's interest rate risk. As of June 30, 2021, the Authority's deposits consisted of demand deposits and certificates of deposit with a maturity of 12 months or less.



OKFUSKEE COUNTY JUSTICE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

The long-term debt as of June 30, 2021 is as follows:

\$5,580,000 Revenue Note, Series 2017, due in yearly installments of varying amounts, with variable interest Rates, secured by Okfuskee County sales tax revenue	\$ 4,865,000
\$500,000 Revenue Note, Jr lien Series 2018, due in yearly installments of varying amounts, with variable interest rates, secured by Okfuskee County sales tax revenue	<u>415,000</u>
Total Long-term Debt	<u>\$ 5,280,000</u>

The annual debt service requirements to retire the note payable are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 265,000	\$ 176,669	\$ 441,669
2023	270,000	168,031	438,031
2024	285,000	156,931	441,931
2025	290,000	146,956	436,956
2026	305,000	138,007	443,007
2027-2031	1,530,000	538,401	2,068,401
2032-2036	1,600,000	280,307	1,880,307
2037	<u>735,000</u>	<u>13,322</u>	<u>748,322</u>
Total	<u>\$ 5,280,000</u>	<u>\$ 1,618,624</u>	<u>\$ 6,898,624</u>

The Authority paid interest in the amount of \$ 182,956 on notes during the current fiscal year.

NOTE E - SALES TAX

The County, pursuant to a resolution adopted on May 31, 2016 (the "Resolution"), is levying a sales tax of three-quarters of one percent (0.0075%), as approved by the qualified electors of the County at an election held August 23, 2016, in accordance with Title 68, Oklahoma Statutes 2011, Section 1370, as amended (the "Sales Tax Revenues"), which shall be used for the payment of the debt service, including payment of interest and principal and premium. The County and the Authority have entered into a Sales Tax Agreement dated as of June 1, 2017 (the "Sales Tax Agreement"), pursuant to which the County agrees, subject to availability and appropriation of funds, to transfer, as received, to the Trustee on behalf of the Authority, and hereby appropriates to the Authority proceeds of the three-quarters of one percent Sales Tax Revenues.

<u>FY</u>	<u>Total 2 Cent</u>	<u>3/4 Cent</u>	<u>Avg Monthly</u>	<u>Change</u>
2016/17	\$ 429,232	\$ 258,062	\$ 43,010	N/A
2017/18	1,405,755	527,158	43,930	104.0%
2018/19	1,768,014	663,005	55,250	25.77%
2019/20	1,701,904	638,214	53,185	(3.74%)
2020/21	1,515,320	568,245	47,354	(10.96%)

OKFUSKEE COUNTY JUSTICE AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE F - RELATED PARTY

The Authority receives pledged sales tax from Okfuskee County, Oklahoma which is related as an affiliated governmental unit. The sales tax revenue received from Okfuskee County in 2021 was \$585,037. Total amount receivable from Okfuskee County and the Oklahoma Tax Commission at June 30, 2021 was \$173,539.

NOTE G - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority is included in coverage obtained by Okfuskee County.

NOTE H - SUBSEQUENT EVENTS

The Authority has evaluated subsequent events and contingencies through March 9, 2022, the date which the financial statements were available. The Authority believes there are no subsequent events to disclose.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Members of the Board of Trustees  
Okfuskee County Justice Authority  
Okemah, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Okfuskee County Justice Authority as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Okfuskee County Education Facilities Authority's basic financial statements, and have issued my report thereon dated March 9, 2022 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Okfuskee County Justice Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Okfuskee County Justice Authority's internal control. Accordingly, I do not express an opinion of the effectiveness of Okfuskee County Justice Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Okfuskee County Justice Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sincerely,



Ralph Osborn  
Certified Public Accountant  
Bristow, Oklahoma  
March 9, 2022